Travel FACTS • Teen Marketing • Imprinted Apparel

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INCORPORATING INCENTIVE TRAVEL

The Chicago Shows

A World of Awards

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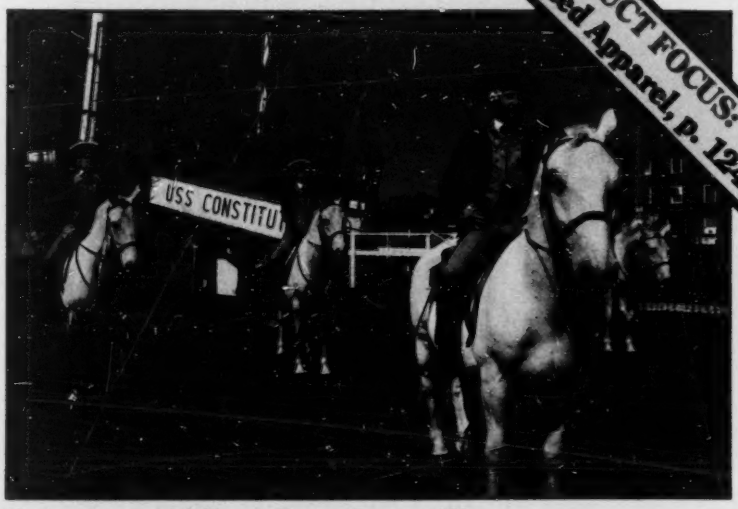

Wooing winners with historic Boston. See page 142.

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After two rousing years, travel settles down to a 5 percent increase in expenditures, according to the latest survey.

Travel FACTS

Travel, which outran the rest of the incentive field in growth during 1985, appears to be slowing to a walk this year, a new **Incentive Marketing** survey shows.

While devotees raised their investments in travel last year by an estimated 10.1 percent over their 1984 budgets, a number of them reported that they are spending an average of only 5.5 percent more in 1986. Executives offering sales-force trips are spending a fairly respectable 7.9 percent more this year, but dealer promotions are up a scant 3 percent. These projections are substantially lower than any that users reported in other special incentive surveys this year.

A noteworthy shift in the field occurred last year. Incentive travel for salespeople outspent dealer programs for the first time, taking 51 percent of all travel dollars. This totaled $796 million, against dealer motivation's $771 million.

In 1985, virtually all of the tabulated industries showed growth in travel usage. The top user of travel, insurance, boosted its budget by 11.3 percent, which translated into an extra $21.7 million. Second-ranked electronics, radio and television also spent beyond the average, with a 10.5 percent increase. Auto parts, accessories and tires, in third position, increased its travel usage by 8.7 percent,

Incentive travel for salespeople outspent dealer programs for the first time.

and the makers of automobiles and trucks held fourth place with an expansion of 10.3 percent. The number-five industry, farm equipment, was the laggard with a 6.1 percent increase.

The rest of the top 10 were, in order, heating and air conditioning, office equipment, electric appliances, building materials, and toiletries and cosmetics.

Executives of 313 user companies participated in this year's IM survey, supplying budget information as well as detail on the objectives, conduct and results of their travel campaigns. Dollar expenditure estimates for both 1985 and 1986 were supplied by 235 firms, and they form the basis of the growth trend cited.

The slowing of growth did not start this year. The 1985 increase of 10.1 percent was actually well below the minor explosion of 17.5 percent that occurred in travel in 1984. Sales incentives outpaced dealer promotion that year, expanding by 21.3 percent. It was an expression of hope for a growing economy.

A cooling of the national economy in 1985 brought some slowing of growth. With sales incentives and dealer awards increasing at an equal rate, the hope that aggressive salesmanship would lead the way in an economic upswing was fading.

This year, with the economy limping, still more restraint is apparent. But more marketers are putting their money behind the sales force again.

In 78 percent of cases, users report that their programs are aimed at salespeople. That is not an exclusive focus, however: companies average more than two target groups each. Second choice is retailers, at 29 percent; 22 percent aim at distributors. Others to whom travel incentive plans are offered are dealer salespeople, 18 percent; independent sales reps, 16 percent; direct sellers, 13 percent; non-sales personnel, 13 percent; distributor salespeople, 12 percent, and others, 4 percent.

Whether cause or effect, the slowing of growth is accompanied by a slippage in the arithmetic of incentive travel. Last year's results were excellent by any measure, but this year's surveyed executives say they are getting a little less for more money. Other indicators are more positive. Some key findings of the survey:

Sales results are lower. This year, the average reported increase in a travel campaign is 17.8 percent. Last year, the comparable figure was 21 percent.

Costs are higher, in relation to incremental sales. This ratio had held at a median of 7 percent for three years before dropping to 6 percent last year; it has now moved up to 8 percent. The averages for five years ending with this survey have been 11 percent, 10.5 percent, 10.6 percent, 10.1 percent and 11.5 percent.

Unit cost of a trip remains steady, with a small drop in the average—from $1,421 to $1,376—and an unchanged median of $1,200 per person.

Participation by qualifiers is up. Last year's 31 percent average qualification rate was an increase over some recent experience, but the present reports show a handy advance to 36 percent among these users.

Group trips are still the rule, despite growth of individual awards in recent years. This survey finds 56 percent of the executives favor-

TOP 10 INCENTIVE TRAVEL USERS: 1985

INSURANCE	$214,992,000	+11.3%
ELECTRONICS, RADIO & TV	$151,962,000	+10.5%
AUTO PARTS, TIRES, ACCESSORIES	$147,206,000	+ 8.7%
AUTOMOBILES & TRUCKS	$134,677,000	+10.3%
FARM EQUIPMENT	$ 91,825,000	+ 6.1%
HEATING & AIR CONDITIONING	$ 90,126,000	+11.0%
OFFICE EQUIPMENT	$ 71,624,000	+10.3%
ELECTRIC APPLIANCES	$ 56,677,000	+10.3%
BUILDING MATERIALS	$ 48,621,000	+21.1%
TOILETRIES & COSMETICS	$ 46,333,000	+12.4%

The median cost in relation to incremental sales has risen to 8 percent from 6 percent.

ing group movements.

Group size continues to grow. After dropping for a few years, the average group last year turned up a bit—to 148. This year's average is a shade higher at 157. The median number of people, however, remains 75. Spouse participation is built into the promotion by 92 percent of respondents.

Domestic sites grow stronger. A year ago, 42 percent in the IM survey said they use only domestic destinations, and 21 percent went only to foreign sites. This year the domestic-only group has risen a bit to 45 percent, and foreign travel is now the exclusive choice of only 5 percent. Among the remaining 50 percent, they split their expenditures about 56 percent domestic, 44 percent foreign. As a point of comparison: In 1976, IM estimated that 59 percent of all travel expenditures were for foreign trips.

Half the users also offer merchandise awards. A year ago, 55 percent of respondents in our special survey said they use some merchandise awards along with their travel programs—up from 45 percent in 1984. In this survey, the figure backed off to 50 percent, with 45 percent saying they do not use merchandise and 5 percent not answering.

Business still has an edge over pure pleasure. The survey shows that 53 percent (one point below last year) conduct business meetings during their group trips, which average five nights. An average of 8.7 hours of business activity is held, with the median at seven hours.

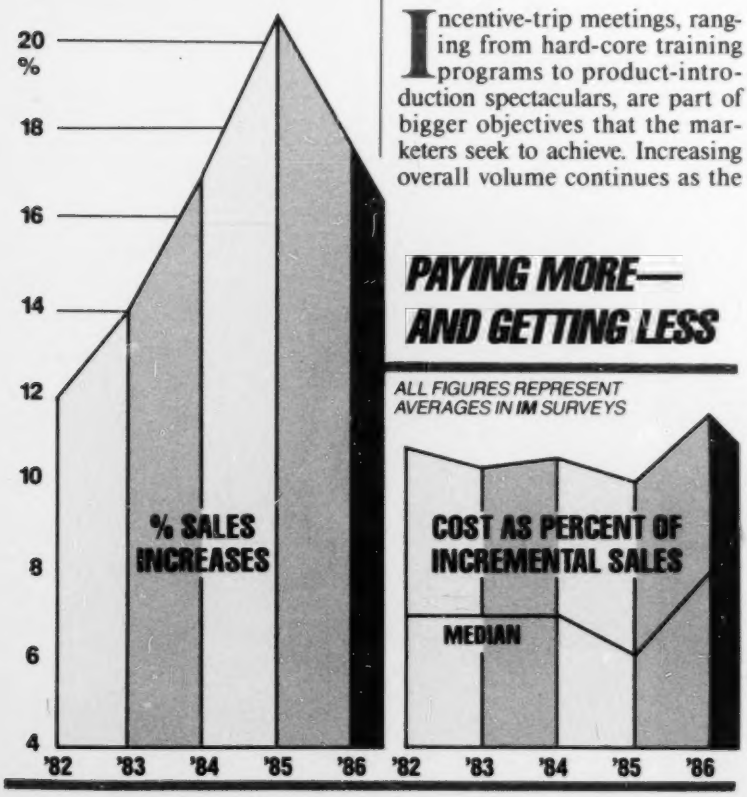
Incentive-trip meetings, ranging from hard-core training programs to product-introduction spectaculars, are part of bigger objectives that the marketers seek to achieve. Increasing overall volume continues as the leading objective cited by users—by a fairly high 81 percent in this survey. But the users also have other goals—an average of almost two and a half objectives

Improving morale of the sales force and good will among dealers is the second-choice objective—one many consider a unique by-product of incentive travel—favored by 45 percent. Third is introducing new products, noted by 30 percent of executives, while 20 percent use travel to move a full line or slow items. Other aims are offsetting competition, 18 percent; bolstering a slow season, 13 percent; building dealer traffic, 12 percent; supporting a consumer promotion, 12 percent, and preparing for a strong season, 9 percent.

How frequently do users pursue these objectives? In the case of those using foreign destinations, costs tend to be higher and selling periods longer—often a year or more—and thus a single promotion per year is the median rule. A few exceptions bring the average to 1.3. Domestic travelers, who may plan shorter and less costly trips or use more individual travel awards, average 2.8 per year, with a median of two.

Some go far beyond the averages with up to a dozen or more promotions a year, often to different audiences and with different objectives. Shirley Wintermute, product marketing manager of the McKesson Corporation, a San Francisco-based distributor, conducts six trips to domestic destinations each year for groups of about 75 people, spending four nights and working through 20 hours of meetings.

The target groups are company and dealer salespeople, dealer principals and direct-selling personnel. On average, 15 percent qualify. In addition to increasing total sales, McKesson seeks to im-



Only 20 percent permit buy-ins; the average amount of cash paid is 28 percent of the cost of the trip.

prove morale and to introduce new products.

Understandably, Wintermute's major problem is "lead time to properly arrange accommodations and transportation with cost savings." Planning begins about 30 weeks before a trip is scheduled to run but only six to eight weeks before the start of a typical 12-week selling campaign. Destinations vary from Hawaii to Florida, Hilton Head to Scottsdale. But the program pays off: Sales increases in the most recent promotions were about 30 percent.

While the marketing manager has the burden of execution at McKesson, final decision on the overall program and site is a top-management responsibility. This is the case with most users: 64 percent of respondents said the final word rests with the chief executive officer, executive vice president or general manager. Sales or marketing directors make the decision in 28 percent of cases.

While some users find management approval a source of frustration, one maker of automotive equipment has a more basic problem, even with a program of close-to-home destinations and small budget: "The CEO does not believe in incentive travel, bonuses or rewards. He is devoid of marketing background and feels incentives are a waste of money."

Another problem in dealing with company management is noted by Jack Ashcom, manager of marketing at the Republic Steel Corporation, Canton, Ohio, who has trouble "eliminating subjective input from management when determining final winners." He conducts two domestic-travel programs a year, with individual awards. They are open-ended, and about 10 percent usually win.

An executive with a New England rental service, which conducts an annual 26-week foreign-trip program and has more than 50 percent qualifiers, laments "paying winners a cash award if they don't utilize the trip. This year 15 percent of the people who won took the cash award. I think this is a mistake—too many took the cash."

Cash flows the other way in some programs: Where buy-ins are permitted, participants who did not make quota are allowed to pay for a portion of the trip. This practice has been on the decline: Last year only 24 percent said they permitted buy-ins, and the present survey cuts that to 20 percent. Of those who do buy in, the average amount of cash they pay is 28 percent of the cost of the trip.

Decisions on such points are a part of the planning process for an incentive program, which characteristically takes longer with travel than for a merchandise award plan. This year's surveyed executives say they spend a week more in planning than those reporting last year—39 weeks before the actual trip departure date. The average time selling in the field to qualify for the trip is 28 weeks.

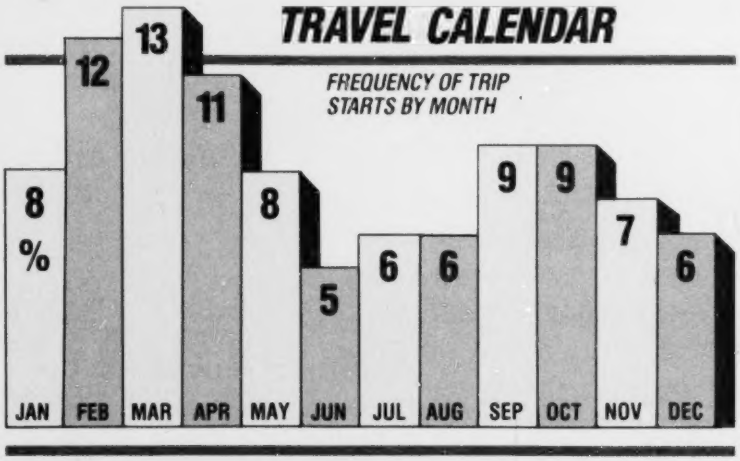
In all of these planning and selling segments, the median is a bit shorter—30 weeks planning before the trip and 24 weeks to qualify.

Trips are scheduled throughout the year, and a given company's market season normally will dictate the timing. Overall, the busiest time is February through April.

Not many users run trips in December, but Zoecon Industries, a Dallas manufacturer, does. National sales manager Terry Halteman says a big problem is "choosing a site with necessary facilities that can provide good weather for a December trip. . .and hotel and ground service that is efficient."

Halteman takes 220 people on an annual five-night trip, usually domestic, and begins planning it 75 weeks ahead. The sales period is 40 weeks long. Zoecon's latest trip brought a 30 percent rise in sales, at a cost of about 10 percent of the increment. "The trip is used as a reward for performance yet is necessary to motivate for the upcoming selling season," says Halteman.

Site selection is the main job for D. R. Reavis, national sales manager of the VBM Corporation, a



"Too many customers procrastinate in their final commitment to reaching quota," notes a floor-covering wholesaler.

Louisville auto-parts maker. "The mechanics of incentive trips are easy," he says, but the challenge is "picking a location that pleases such a diversified group of people as we deal with. Our people are highly successful independent reps, and many have already done extensive traveling. So choosing a place exciting and different yet capable of pleasing such varied interest" is the most important task. The choices for a six-night trip for 30 to 45 people have included Grand Cayman Island and Hawaii.

Thirty percent of the reps qualify, and their most recent effort yielded a sales increment of 28 percent during a 24-week period.

J. F. Lynch, vice president of marketing for Denver-based Woodmen of the World, a fraternal insurance organization, is concerned with "creating the program with a perfect balance of activities for all ages and tastes, plus enough free time to do as they desire, and avoiding carbon-copy conferences yet maintaining some sense of tradition."

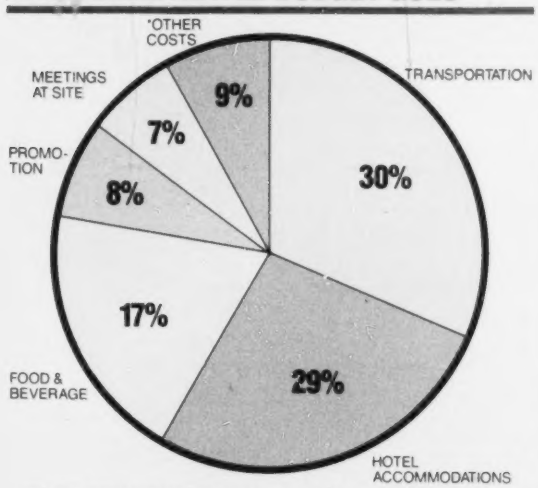
The sites he has chosen for six-night trips include Washington, Nassau, Monterey, Calif., and, about every four years, a foreign destination like London. About 110 people, or 30 percent of eligibles, qualify after 52 weeks of selling. In the latest round, they turned in a 15 percent increase in sales at a cost of only 5 percent of the increment.

Many travel programs, like that of the Woodmen, are lengthy, since it takes time to accumulate enough sales volume to cover the cost of a major trip. In this survey, while the average selling period is 28 weeks, 28 percent of the users run programs lasting 52 weeks or longer.

"Too many customers procrastinate in final commitment to reaching quota," notes a floor-covering wholesaler with a 40-week sales period in a program for retailers. His trips take 150 or more people for six nights to destinations like Hawaii, Switzerland and London—but only 15 percent of those eligible participate, even with buy-ins.

A beverage distributor sees another problem in the length of even a 26-week campaign: "outside management shifting store managers and upsetting the continuity." But even with a shorter program, a campaign has its problems. Neil Prager, vice president of the Nassau Research Corporation, a North Brunswick, N.J., manufacturer, has trouble "keeping the slow starters excited about

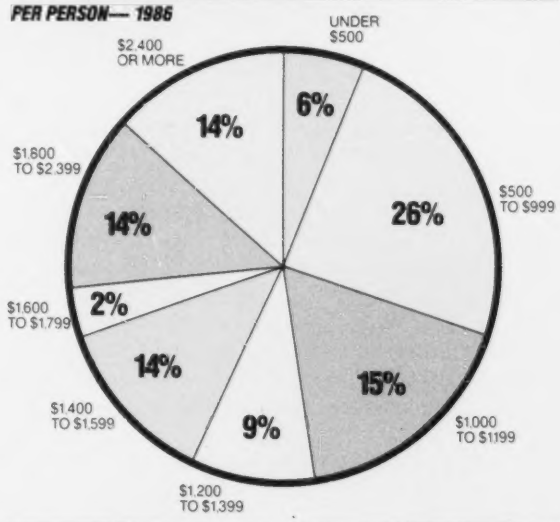
WHERE THE TRAVEL BUDGET GOES



*INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT ETC

COST OF INCENTIVE TRIP

PER PERSON— 1986



AVERAGE $1,376
MEDIAN $1,200

PER COUPLE COST APPROXIMATELY DOUBLE (92% INCLUDE SPOUSES)

the trip. Too many give up too soon. We have achieved some success by targeting those that have never won a contest and giving them extra support."

Notes W. E. Mattila, retail manager of Rockview Dairies Inc., Downey, Calif., "It seems a certain percentage never want to go along with the program. . . so we just gear it to those who do."

Available budget dollars per qualifier can narrow the world to certain destinations that fit the figures. The majority of users—59 percent—have a special budget set up in advance for the travel program. Another 22 percent allocate regular promotion funds which are used for the trip. In 19 percent of cases, the users derive the budget specifi-

CONTINUED ON PAGE 180

SELECTED DESTINATIONS

DOMESTIC
571 Responses

120-HAWAII
8 Maui
2 Honolulu

87-CALIFORNIA
24 San Francisco
9 Lake Tahoe
9 Los Angeles
6 San Diego
4 Palm Springs
2 Anaheim

86-FLORIDA
25 Orlando
9 Miami
2 Boca Raton
2 Destin
2 Sanibel Island

48-ARIZONA
10 Phoenix
4 Scottsdale
3 Tucson

39-NEVADA
32 Las Vegas
3 Reno

23-NEW YORK

18-PUERTO RICO
5 San Juan

13-VIRGIN ISLANDS
7 St. Thomas

12-COLORADO
3 Vail
2 Colorado Springs

12-LOUISIANA
12 New Orleans

11-TEXAS
4 Dallas
2 Houston
2 San Antonio

10-MASS.
8 Boston
1 Hyannis
1 New Sudbury

8-VIRGINIA
6 Williamsburg
2 Norfolk

8-D.C.

7-ILLINOIS
7 Chicago

7-PENNSYLVANIA
3 Poconos
2 Hershey
1 Lancaster
1 Pittsburgh

6-ALASKA

6-NEW JERSEY
5 Atlantic City
1 Camden

6-TENNESSEE
5 Nashville
1 Knoxville

5-GEORGIA
2 Atlanta

5-SOUTH CAROLINA
4 Hilton Head

4-MISSOURI
2 Lake of the Ozarks
2 St. Louis

4-WEST VIRGINIA

4-WISCONSIN

3-MICHIGAN

2-ALABAMA
1 Gulf Shores
1 Point Clear

2-MARYLAND
1 Baltimore
1 Ocean City

2-NEW HAMPSHIRE

2-NORTH CAROLINA

2-OREGON

2-CRUISES
1 Alaska
1 Mississippi River

1-ARKANSAS

1-INDIANA

1-OHIO

1-OKLAHOMA

1-UTAH

1-VERMONT

1-WASHINGTON

FOREIGN
377 Responses

116-WESTERN HEMISPHERE

67-MEXICO
16 Cancun
15 Acapulco
5 Puerto Vallarta

43-BAHAMAS
8 Nassau
6 Paradise Island

43-CARIBBEAN
13 Jamaica
3 Barbados
3 Dominican Republic
3 St. Maarten
2 Aruba
1 Grand Cayman

21 BERMUDA

16-CANADA
4 Toronto
3 Quebec
2 Vancouver

9-S. AMERICA
6 Brazil
1 Columbia
1 Venezuela

116-EUROPE

28-ENGLAND
15 London

15-GERMANY
5 Munich

13-SWITZERLAND

10-FRANCE
6 Paris

10-ITALY
5 Rome

10-SPAIN

6-MONACO
6 Monte Carlo

4-AUSTRIA
4 Vienna

4-IRELAND

3-PORTUGAL
2 Lisbon

3-SCOTLAND

3-EASTERN EUROPE
2 Yugoslavia

3-SCANDANAVIA
2 Sweden

2-GREECE

2-NETHERLANDS

27-FAR EAST
14 Hong Kong
5 Japan
4 China
1 Singapore

16-SOUTH PACIFIC
6 Australia
6 Tahiti
3 New Zealand

16-CRUISES
9 Caribbean
1 Bahamas
1 South America

2-MIDDLE EAST
1 Egypt

1-AFRICA

TRAVEL FACTS

CONTINUED FROM PAGE 64

cally from the sales forecast for the period. Only 11 percent indicated they have an open-end budget, as a percentage of sales added.

However, in another question, 63 percent say their programs are open-ended—that is, all who reach specified goals earn the trip. The difference usually is that the budget is fixed on the basis of known factors and good guesses as to the results. If the promotion is open-ended and the budget is not, the user who achieves too much success will have to go back to the till for more funds—which come out of the extra sales that were not anticipated.

Although the budget is set in advance, 47 percent say they set individual quotas on the basis of a sales forecast; 31 percent set quotas on the basis of established budget numbers, and 22 percent use other methods or did not answer.

This year's breakdown of the budget differs little from those of the past few years, with one exception: The average expenditure for hotel accommodations, 29 percent, is up from 27 percent in last year's study. Transportation is still the biggest bite but has eased slightly from 31 to 30 percent.

In determining who handles the travel details, there is a major change in this year's reports. Arrangements by "in-house staff," last year's choice of 59 percent of the executives, now is indicated by only 29 percent. Taking over the lead position is the local travel agent, favored by 48 percent; 24 percent employ the services of incentive houses, and 14 percent deal with carriers, hotels and other suppliers directly. The total exceeds 100 percent because of multiple answers.

When it is all over, how do you measure what you got for your time and money? For 48 percent of the users, total units or dollars sold are the primary criteria. The percentage of people reaching goal or quota is the measure chosen by 35 percent. Increase in market share is used by 23 percent; profit on incremental sales, 16 percent; branch or district performance, 12 percent, and other criteria, 7 percent. The total of over 100 percent shows that many users have more than one method of counting up their gains.

Most executives feel confident enough to conclude that their efforts were well placed. But there will probably always be the nagging "what if" questions.

"Was the program self-liquidating—did it pay for itself? . . . Did we realize true plus-sales as a direct result of the program, or did we secure sales that we would have gotten anyway?"

Most incentive users probably ask themselves these questions frequently. But it is clear that they don't want to pay the probable price of finding out by laying down what still looks like a very potent weapon. ■

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